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PAGE 01 PRAGUE 03358 010752Z

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

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SUBJECT: SOVIET-CZECHOSLOVAK TRADE PROTOCOL FOR 1977

REFS A. PRAGUE 3343(NOTAL) B. PRAGUE 3326(NOTAL), C.
75 PRAGUE 2998

1. SUMMARY: CZECHOSLOVAKS AND SOVIETS SIGN TRADE PROTOCOL FOR
1977. VALUE OF TWO-WAY TRADE WILL RISE 7 PERCENT TO 4.7
BILLION RUBLES. MACHINERY, EQUIPMENT AND INSTRUMENTS EXPORTS
WILL INCREASE. COMMENT: NEW 1977 PROTOCOL IMPLEMENTS 5-YEAR
TRADE AGREEMENT SIGNED NOV, 1975. CZECHOSLOVAK-SOVIET TRADE
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PAGE 02 PRAGUE 03358 010752Z

EVIDENTLY GROWING FASTER THAN PLANNED. EITHER PHYSICAL VOLUME
OR PRICES OR BOTH MAY BE RISING AHEAD OF PLAN. CZECHOSLOVAKS

EVIDENTLY BECOMING EVEN MORE DEPENDENT ON BLOC TRADE, BODING ILL FOR GOC EFFORTS TO COPE WITH ECONOMIC PROBLEMS. NO EVIDENCE SOVIETS WERE OVERLY CONCILIATORY TOWARD CZECHOSLOVAKS. EMBASSY DOUBTS USSR WILL SUPPLY EXTRA CRUDE OIL OR GAS AT CONCESSIONARY PRICES. END SUMMARY.

2. ACCORDING TO RUDE PRAVO, CZECHOSLOVAK-SOVIET TRADE PROTOCOL FOR 1977 WAS SIGNED IN MOSCOW NOV. 17 BY FOREIGN TRADE MINISTERS BARCAK AND PATOLICHEV OF CSSR AND USSR RESPECTIVELY, EVIDENTLY JUST AFTER PREMIER STROUGAL RETURNED TO PRAGUE (REF B). VALUE OF BILATERAL TRADE ANTICIPATED FOR NEXT YEAR IS 4.7 BILLION RUBLES, 7 PERCENT HIGHER THAN IN 1976. GREATEST TRADE INCREASES WILL INVOLVE MACHINERY, EQUIPMENT AND INSTRUMENTS.

3. SOVIETS WILL SUPPLY MACHINE TOOLS, MINING EQUIPMENT, ELECTRONIC COMPUTERS, TRACTORS, BULLDOZERS, SCRAPERS AND AUTOMOBILES. CZECHOSLOVAKIA WILL EXPORT ROLLING EQUIPMENT, MACHINE TOOLS, PRESSING MACHINES, SHIPS AND SHIPS' EQUIPMENT, DIESEL RAILWAY ENGINES, TRUCKS, VARIOUS INSTRUMENTS, CHEMICAL INDUSTRY PRODUCTS, LARGE DIAMETER PIPES AND EQUIPMENT FOR THE CHEMICAL, LIGHT MANUFACTURING AND FOOD INDUSTRIES. USSR WILL ALSO INCREASE ITS EXPORTS OF BASIC RAW MATERIALS, FUEL AND POWER RESOURCES,

IRON ORE, METALS, COTTON, WOOD AND CHEMICALS, WHEREAS CSSR WILL INCREASE EXPORTS OF CONSUMER GOODS. EFFORT WILL BE MADE TO INCREASE TRADE TURNOVER EVEN FURTHER IN 1977. RUDE PRAVO REPORTED TALKS WERE HELD IN "FRIENDLY ATMOSPHERE FULL OF COMRADELY MUTUAL UNDERSTANDING AND FRUITFUL COOPERATION."

4. COMMENT: NEW TRADE PROTOCOL PROVIDES FOR 1977 IMPLEMENTATION OF 5-YEAR TRADE AGREEMENT SIGNED BY BARCAK AND PATOLICHEV NOV. 21, 1975 (REF C), WHICH CALLED FOR TWO-WAY TRADE TO INCREASE TO 24 BILLION RUBLES BY END OF 1980. IF 1976 TRADE TURNOVER WAS 4.39 BILLION RUBLES (AS RUDE PRAVO INFERS) AND THIS TRADE DOES RISE BY AT LEAST 7 PERCENT IN 1977 TO MINIMUM OF 4.7 BILLION RUBLES AS NOW PLANNED, CZECHOSLOVAK-SOVIET TRADE WILL BE GROWING CONSIDERABLY FASTER THAN PACE FORESEEN IN 1975 AGREEMENT. ASSUMING 7 PERCENT RISE IN 1977, TWO-WAY TRADE NEED GROW ONLY BY 4 PERCENT ANNUALLY FOR FOLLOWING THREE YEARS TO EXCEED LIMITED OFFICIAL USE
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PAGE 03 PRAGUE 03358 010752Z

24 BILLION RUBLE TARGET FOR CURRENT FIVE-YEAR TRADE AGREEMENT. THIS COULD INDICATE THAT PHYSICAL VOLUME OR NEGOTIATED PRICES ARE RISING FASTER THAN ANTICIPATED OR BOTH. SINCE CSSR'S SIXTH FIVE-YEAR PLAN CALLS FOR TRADE WITH CEMA COUNTRIES TO GROW FASTER THAN TRADE WITH WEST, CZECHOSLOVAKS EVIDENTLY ARE BECOMING EVEN MORE DISPROPORTIONATELY DEPENDENT ON BLOC TRADE. IN LIGHT OF CSSR'S NEED FOR WESTERN CAPITAL GOODS AND TECHNOLOGY, THIS WOULD BODE ILL FOR GOC'S EFFORTS TO COPE WITH ITS SERIOUS ECONOMIC PROBLEMS.

5. FINALLY, OFFICIAL PRESS REPORTS OF 1977 PROTOCOL DO NOT HINT THAT SOVIETS WERE OVERLY CONCILIATORY WITH CZECHOSLOVAKS ON TRADE PROBLEMS. THIS SUPPORTS EVIDENCE (REF A) THAT SOVIETS ARE NOT TREATING CZECHOSLOVAKS AS THEY APPARENTLY ARE THE POLES AND, PERHAPS, EAST GERMANS. DESPITE RUDE PRAVO MENTION OF SOVIETS INCREASING EXPORTS OF "RAW MATERIALS, FUEL AND POWER RESOURCES", EMBASSY BELIEVES USSR WILL SUPPLY MORE OF ITEMS LIKE IRON ORE AND NUCLEAR POWER EQUIPMENT BUT FOT EXTRA AMOUNTS OF BADLY NEEDED CRUDE OIL OR GAS AT CONCESSIONARY PRICES.
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